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September 3, 2008

**BY E-FILING**

The Honorable Leonard P. Stark  
United States District Court  
for the District of Delaware  
844 N. King Street  
Wilmington, DE 19801

Re: *Phoenix Payment Systems, Inc. d/b/a Electronic Payment Exchange v. Lexcel, Inc. and Lexcel Solutions, Inc.*, C.A. No. 07-537 (SLR/LPS)

Dear Magistrate Judge Stark:

Pursuant to Your Honor's request during the August 25, 2008 teleconference, I am writing on behalf of all parties to provide the status of the ongoing settlement negotiations. Counsel have narrowed the issues and remain hopeful that a settlement will be reached within a day or two, but no settlement agreement has been finalized yet.

Counsel remain available if the Court would like to schedule another teleconference to discuss this matter.

Respectfully,

*/s/ Julia Heaney (#3052)*

Julia Heaney

JH:ncf

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